investments in agriculture, the building of an estimated 120,000 cottages, mostly out of private funds, and the electrification of 500 villages are cited, besides the reconstruction of a large fertilizer and explosives works, the enlargement of a big tractor and armored car plant, etc.

A rather surprising achievement was the great increase in the area of the state-owned estates to 312,000 hectares from 151,000 hectares in 1938. In addition, 213,000 hectares were farmed by collectives. As all the forests became state property in 1945 and the state also owned fisheries and other agricultural property, the total "collective" sector in agriculture covered 1.5 million hectares—18 percent of the total acreage and 7 percent of the acreage under crops.

## Mining and Metallurgy

The plan aimed at raising the value of the gross output of mining and metallurgy from 1.1 billion forints in 1946-47 to 1.2 billion in the first year and 1.5 billion in the third when a level 38 percent above prewar was to be reached. The prewar output was 1.2 billion forints. As there had been considerable development in the years 1938-44, and the gross output may have been near the 2.0 billion mark in 1944, the mark set was somewhat lower than the level that had been reached.

The goals looked more formidable when compared with the output in 1946-47, although recovery in mining, especially coal, had been fairly quick. They are set out in the following table:

Output, million tons

| | Planned | | Actual | | |
|---|---|---|---|---|---|
| | 1949-50 | 1947-48 | 1946-47 | 1948 | (1943) |
| Coal | 11.60 | 9.30 | 7.75 | 9.34 | (12.70) |
| Iron ore | 0.28 | 0.21 | 0.21 | 0.30 | ( 0.34) |
| Bauxite | 0.40 | 0.22 | 0.25 | 0.54 | ( 1.00) |
| Oil | 0.66 | 0.54[20] | 0.64 | 0.04 | ( 0.84) |

For the development of the mining industry, 493 million forints were earmarked. This sum was to be used for the reconditioning of existing mines, some mechanization of coal mining, the developing of new pits, and the building of two flotation plants to utilize low-grade ores.

20. Oil production was forced during the war under German pressure and was maintained at a high level under Russian management in 1945-47. It had to be reduced in order to prevent the untimely exhaustion of the wells.

forints were to be spent for work of this character in sharply graduated installments. Out of this 0.4 billion forints were earmarked for housing, both new construction and reconditioning. This, however, did not include industrial construction. The aggregate value of construction work of all kinds was to be 2.6 billion forints.

Owing to lack of adequate preparations, the manifest need for reconstruction on a larger scale, and, last but not least, pressure from the building workers' trade-union, the building program was speeded up. In the first year the sum spent on building was nearly twice as high as budgeted, mainly because of the nineteen-fold increase of the sum spent on reconditioning public buildings and the high cost of building. In the full period, a total of 1.8 billion forints were spent, 58 percent more than budgeted. The volume was claimed to have been 27 percent greater. This, however, excludes industrial construction. A comparison with other items suggests that building must have been severely curtailed in the later phases, and the balance of the plan restored.

The principal items mentioned in the Final Report are: the reconditioning of over 1,300 school buildings, of 161 hospitals and 55 TB dispensaries; the building of 16 new schools, 29 hospitals, and 8 dispensaries. Work was started on others. A number of health centers, crèches, day nurseries, and holiday homes were established. The report fails to mention that, laudable as the purpose of these institutions was, they were housed mostly in expropriated buildings of "enemies of the people." As these were a matter of definition, there was no difficulty in setting up social institutions at little cost.

Housing developments were confined to mining centers and the working class districts of Budapest. It was claimed that in the first year the total number of new apartments constructed was 1,800 in Budapest and 500 in the country towns, and that the total number of workers' cottages in mining and industrial centers was 728. An estimated 40,000 cottages were built in rural areas mainly out of private funds. Information on what had been completed in the full period of 29 months is conflicting. According to an official statement the total number of new apartments built in urban areas was 5,200, shared in nearly equal proportions by Budapest and the provincial towns. Some 120,000 cottages were built in rural areas, mainly out of private funds, and another 6,200 on state-owned farms and tractor stations. In addition, some 110,000 dwellings were reconstructed, a large proportion with the help of private funds. Of these, 40,000 were in Budapest, 25,000 in provincial towns, 39,000 were cottages in rural areas.

By comparison, in the ten-year period 1927-36, the number of new dwellings constructed in urban areas was around 10,000 per year, half of which were in Budapest. The total number of newly constructed dwellings (urban and rural areas together) ran into 36,000 per year in the ten years following the first World War, a period of marked building activity.

Employment and Productivity

The plan counted on a moderate increase in the industrial population which, however, did not require large-scale redeployment of the labor force. It could be achieved largely by absorbing the unemployed, ordinary and political, the domestic servants thrown on the labor market as a result of the social transformation, and the large number of women seeking industrial employment who had not been forced to do so before. The expected increase of the working population in the manufacturing and mining industries was 10 percent in the first year, 9 percent in the second, and 7 percent in the third. As their number was 345,000 in August 1947, the final figure was expected to be 410,000.[38] In 1938, the corresponding figure was 330,000 and it rose to 470,000 in 1943. Thus the surplus population in agriculture could not have been tapped to any extent by an increase of that order.

At the end of the first year, the number of workers in mining and manufacturing reached a total of 350,000 and was less than expected. The Final Report claims an increase of 82,000 in manufacturing and one of 11,000 in mining in the course of 1949, giving a total of 443,000 at the end of the year which is higher than the goal set for July 1950. A large number of the new recruits were women.

There was a great increase in the number of transport workers mainly on the railways. The final figure is not available, but in December 1948 their number was 102,000, 18 percent greater than in mid-1947, and 76 percent greater than in 1937-38.

The total number employed in the building trade, by then largely nationalized, was claimed to be 120,000 at the end of 1949.[39] An increase of 69,000 was said to have taken place in the course of the year which saw the elimination of the seasonal character of building.

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38. The base and the target are not clearly given in the blueprint, and the target figures quoted should be regarded as approximate.

39. The census figure (December 1930) was 87,000 employees and 23,000 self-employed. But there was a large influx of semi-skilled labor in the building season.

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185 433

According to the plan, next in importance to heavy engineering is the chemical industry. Its output will be increased by 38 percent over the 1949 figure. The 1954 output is given as 4.8 billion forints. Its greatest task will be to solve the problem of coking Hungarian coal for use in iron production. The goal is to have 450,000 tons of high grade coke by 1954.

Among the light industries, the textile industry will have an output of 9.3 billion forints, 52 percent greater than in 1949 and, at the cost of 1.1 billion forints, will have its plants modernized and some new plants added.

The clothing industry will replace the small craftsmen who had hitherto supplied most of the clothing worn in Hungary. Twelve new plants will be built at the cost of 2.6 billion forints and the output of the industry will be 2.6 billion forints, an increase of 150 percent over 1949.

Total investments in the manufacturing industry proper, excluding mining and metallurgy, will be 11.3 billion forints. Altogether 220 new plants will be built besides modernizing some of the existing plants. The new plants will be scattered all over the country to promote the decentralization of industry and bring industry to districts which now depend mainly on agriculture. The new plants include the following:

| | |
|---|---|
| Iron metal and engineering | 35 plants |
| Chemical industry | 38 " |
| Textiles and clothing | 20 " |
| Leather and shoe manufacture | 2 " |
| Woodworking | 9 " |
| Paper manufacture | 3 " |
| Food industry | 71 " |
| Clay, bricks, earthenware | 29 " |

Building

185 [653]

The estimated cost of construction of all kinds is 21.3 billion forints. Of this, 5.9 represents the cost of industrial construction, 4.5 billion will go into transportation, 3.4 billion forints are allotted to construction which will serve agriculture, 2.0 billions are earmarked for the construction of public buildings and 5.0 billions are to go to finance housing schemes. It is intended to build 180,000 apartments. As private building has practically stopped, at any rate in urban areas, the 5.0 billion forints represent the total investment in housing. Before the war (1924-25 to 1936-37), investment in housing averaged about 140 million pengoes per year at 1924-25 to 1926-27 prices. Data for an accurate comparison are lacking. Available

[362]

information suggests that the budgeted sum corresponds roughly to prewar investments in housing.

The building industry will be mechanized and mass production methods will be introduced in building. Total investments are slightly below 1.0 billion forints.

Transport and Communications

The capacity of the transport system is to be increased by 60 percent over the 1949 level. By 1949 the prewar capacity had on the whole been reached, although some bridges were still replaced by temporary structures and some of the rolling stock was in bad repair. Against that stood the large increase in the number of trucks and buses. Investments totalling 7.5 billion forints provide for the construction of 150 km. of new main-line railways, 605 km. of arterial highways, 2,250 km. of secondary roads, the construction of ten large bridges and a number of smaller ones, mostly to replace the temporary structures, and five new harbors. Also the first line of the Budapest underground railway will be completed. There is no indication where the new railway line or roads are going to be built. Nor is reference made to the Danube-Theiss canal on which construction work was started in the spring of 1949 under the Three Year Plan.

As well, the rolling stock for the railways will be increased by adding 4,400 trucks. The number of passenger automobiles will be increased by 14,000, and that of trucks by 23,000. The Danube fleet will be increased by building two passenger steamers, six tugs, fifty-nine barges and three seagoing vessels.

The capacity of the telephone and telegraph systems will be 67-70 percent greater in 1954 than before the war.

Employment and Productivity

The realization of the First Five Year Plan will require a considerable redeployment of the working population of Hungary. As pointed out earlier, the Three Year Plan did not affect the pattern of employment to any large extent, especially insofar as the agricultural population was concerned. Under the Five Year Plan, the number of workers in manufacturing and mining will have to be increased by 430,000. At the end of 1949, their number was about 440,000. In five years it will nearly double and reach 870,000 in 1954. No details are given concerning the distribution and composition of the labor force except that nearly 60 percent of the new workers would have to be skilled. To provide enough skilled workers, the rules governing the training of apprentices have been revised. The number of specialized

461 The statement[1] complained about lack of discipline, both at the workshop and at managerial level, inefficient planning in the central agencies, and slackness in enforcing government directives. As a result, the high standard of living was endangering the execution of the investment program and dangerous lags were showing in fulfilling the plan. In foreign trade, during the 439 first four months of 1950, imports increased by 56 percent over the corresponding period of 1949 while the increase in exports was only 1 percent.

453 Signs of strain were indeed evident despite efforts to conceal them. One of these was the cessation of publication of the only continuous series still available in the periodic statements of the Central Bank giving the note circulation, bank reserves, savings, assets, and liabilities of the current account of nationalized industry.

433 In Hungary the early part of the year is usually noted for higher prices as the stocks of food and supplies decline before the new crops begin to come in. This year a severe drought damaged most crops. The whole six months' period was characterized by a marked deterioration in the food situation. Important staples, like potatoes, lard, meat, milk products, vegetables which had been available in sufficient quantities since 1947-48, were in short supply. The official explanation blamed higher consumption for the shortages, but admitted also the failure of the new national enterprises responsible for the distribution and hinted at the withholding of food by a resentful peasantry. In some cases, notably that of butter, the capitalist West was blamed because it wanted food against essential machinery. Unofficial information spoke of forced food exports to Eastern Germany and stockpiling for an emergency.

Under such conditions, it seemed unlikely that the standard of living could have improved as fast as had been claimed, at any rate in the course of 1950. At the same time, the stresses and dangers must have been very real if judged by the scope and severity of the measures that were introduced to counteract them. Very great efforts were made to bring in the harvest and have it in the safekeeping of the government. It was decided to strengthen the state-controlled sector of agriculture and notably to build up a systen of state dairy farms and fattening plants around the capital to ensure safe supplies of milk and other animal products. Large-scale purges were organized in trade-
661 unions and factories to improve discipline and increase output.
362 Efforts were made to encourage private savings by the launching of a cooperative housing scheme followed up with much vigor.

[1] [Statement of the Chairman of the People's Economic Council, cf. Cat. 116, p. 61 — Analyst].

## THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

382 that industrial demand for oil reached at least the wartime peak, and very probably exceeded it.

185 382 497 In transport the plan called for the restoration of prewar capacity with a few improvements added and imposed no insatiable demands on the oil industry. No dieselization of locomotives had been carried out before the war, and none was scheduled by the plan. In 1948 the Hungarian National Railroads used only 1,740 tons of oil, compared with 1,584,000 tons of coal and 33.24 million kilowatt-hours of electric energy.

398 In the final plan report it was mentioned that there were "fewer" passenger cars in 1949 than the 18,900 listed in 1938. The number of buses, however, increased 50 percent from 700 in 1938 to presumably 1,050 in 1949. According to similar calculations, there were 9,500 trucks in 1949 compared with 3,800 in 1938.

●362 374 As no appreciable quantities of oil were used for the heating of private homes the 120,000 cottages built in rural areas during the plan period had no effect on oil consumption; and the total number of new apartments built in two and a half years in urban areas was only 5,200 compared with the prewar average of 10,000 annually.

464 [316] [489] [331] Employment in mining and manufacturing (excluding handicraft) rose from 330,000 in 1938 to 443,000 by the end of 1949 but was still below the 1943 level of 470,000. Of the 1949 figure mining accounted for about 75,000 as compared with 49,000 in 1938. There were very marked increases in the transportation and building industries, each employing about 120,000 persons.

241 Despite the impressive increase in industrial strength in the years 1938-1949, Hungary remained an essentially agrarian country. Agriculture remained by far the most important single industry, employing an estimated 1,960,000 persons, or 46.4 percent of the working population.

000 Operations in the oil fields had been little disturbed

[pp. 1-2 contain no textual material]

361
511 Ferenc Gergely, an iron worker, is a resident of Budapest. He lives in the XIIIth district of the Hungarian capital, at No. 1 Peace Avenue. Not quite a decade ago, this part of the city was just a sorely neglected suburb. Ferenc Gergely himself was hardly able to keep body and soul together when he moved here sometime during the years between the two world wars. He remembers it very vividly: His entire wealth, everything portable which belonged to him, found ample room in the small hand-cart he and his wife pulled along the shabby suburban streets.

Much has changed since then. Ferenc Gergely's life has changed, and so have the lives of hundreds of thousands of his fellow workers; the face of this onetime shabby suburb has changed, and so has the face of the entire town, the entire country.

362

Ferenc Gergely, lathe operator.

Instead of their former crowded and dirty subleased room, Ferenc Gergely and his family now occupy a modern two-room apartment in one of the workers' apartment houses recently built on Peace Avenue. The rooms are large and bright, the kitchen roomy and attractive, the bathroom tiled and sparklingly clean. There is a pantry and a nice little foyer, central heating in the winter and

362 hot water all through the year. Three days wages pay for the monthly rent and not quite two days wages for the heating and hot water.

From the balcony of the apartment you can look along the whole street, which, only a short while ago, was a sorry sight with its empty lots and wartorn, crumbling buildings. The ruins and scrap-iron yards have been cleared away, and today beautiful new apartment buildings stand in their place, proclaiming that Ferenc Gergely and his Hungarian fellow workers have rebuilt their houses, their towns, their fatherland.

361 The broken cobble-stones have disappeared, and comfortable busses coast along the smooth, asphalt road. In the evenings the streets are alight with electric arc-lamps

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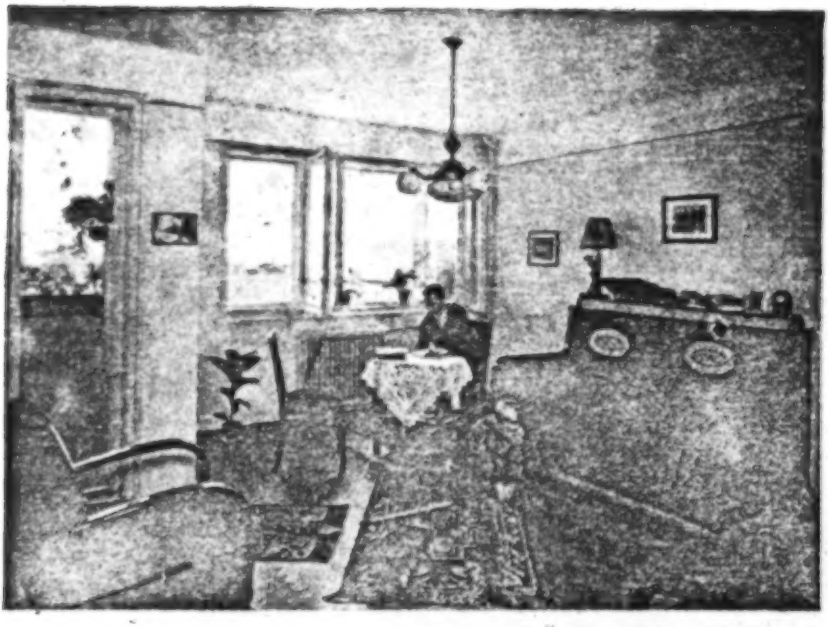

The living room of Ferenc Gergely's two-room apartment.